

STATE OF WASHINGTON



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OFFICE OF INSURANCE COMMISSIONER

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BULLETIN No. 95-5

Fraud Plans and Reports

Attention: All authorized insurers

There is a new law on Insurance Fraud. It is chapter 285, Laws of 1995 (enacted as Engrossed Second Substitute House Bill 1557). Section 9 of this Act includes this: "Each insurer licensed to write direct insurance in this state shall institute and maintain an insurance antifraud plan."

Antifraud Plans

All [insurers must file their plans](#) with the Insurance Commissioner by December 31, 1995. After that, any newly licensed company must file a plan within six months of licensure. Changes to any antifraud plan must be filed within thirty days of the change.

Under section 10 of the Act, the plan must include specific procedures to do the following:

1. Prevent insurance fraud, including internal fraud involving employees or company representatives, fraud resulting from misrepresentation on applications for insurance coverage, and claims fraud;
2. Review claims in order to detect evidence of possible insurance fraud and to investigate claims where fraud is suspected;
3. Report fraud to appropriate law enforcement agencies and cooperate with those agencies in their prosecution of fraud cases;
4. Undertake civil actions against persons who have engaged in fraudulent activities;
5. Train company employees and agents in the detection and prevention of fraud.

Submit plans in loose-leaf format. Use 82x11 inch white paper. Organize the plans to address the five subjects shown above. Specify the procedures that will enable company employees to discover, investigate, and refer cases of fraud for prosecution. Indicate the number of trained staff devoted to dealing with fraud, and what authority this staff has in the claim-settlement process.

Plans that do not comply with the law will be disapproved. The insurer must then file a corrected plan within sixty days of the disapproval. I may also audit insurers to ensure compliance with their filed antifraud plans.

All companies should promptly notify all their Washington agents and employees of the material provisions of the new law.

Annual Summary Report

Each insurer must file an annual summary report on actions taken under its antifraud plan to prevent and combat insurance fraud (Act Section 12). The report must include "measures taken to protect and ensure the integrity of electronic data-processing-generated data and manually compiled data, statistical data on the amount of resources committed to combating fraud, and the amount of fraud identified and recovered during the reporting period." Emphasis should be placed on criminal activities of an organized nature. The report must address claim costs for discovered fraud from claims activity. It must also address internal activities to detect fraud among the company's employees. Section 12 of the act addresses privacy protection for these reports.

The first annual summary report is to cover the period ending December 31, 1996. It is due March 31, 1997.

Penalties

Failure to file the plan is subject to a penalty. The statute states that the first filing is not subject to this penalty. Therefore, the failure to meet the December 31, 1995, date will not result in penalty, but continued failure to comply after a reminder to comply may result in penalty. Failure to follow filed fraud plans and failure to file required reports could also result in monetary penalties.

All filings and questions regarding these requirements should be directed to Bill Frandsen, Deputy Insurance Commissioner, Office of the Insurance Commissioner, Post Office Box 40257, Olympia, Washington 98504-0257.

Insurance Commissioner